

Message Text

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ORIGIN EB-11

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EIND, ETRD, CA, MX

SUBJECT: US FERROUS SCRAP EXPORTS

REF: STATE 179061

1. PRIOR TO SEPT 12 PUBLIC ANNOUNCEMENT ON SUSPENSION OF US LICENSING OF FERROUS SCRAP EXPORT ORDERS UNDER 500 SHORT TONS (EXCEPT STAINLESS STEEL SCRAP), CANADIAN AND MEXICAN EMBASSIES INFORMED OF ANNOUNCEMENT. THEY WERE ALSO ADVISED THAT USG CONSIDERING EXCEPTION TO OVERALL SUSPENSION TO ALLOW SOME FERROUS SCRAP TONNAGE IN SMALL ORDERS (I.E., UNDER 500 TONS) TO BE EXPORTED TO CANADA AND MEXICO DURING OCT-DEC 1973.

2. AS OF SEPT 10, 1973 CUT-OFF ON ISSUANCE OF SMALL ORDER LICENSES, USG HAD LICENSED IN SEPT SMALL ORDERS TOTALING
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73,000 TONS, OF WHICH 40,000 TONS WERE DESTINED FOR CANADA, AND 22,000 FOR MEXICO. IN AUGUST 1973, TOTAL SCRAP TONNAGE

(IN THOUSANDS) LICENSED FOR CANADA WAS 126 OF WHICH 119 WERE SMALL ORDERS; WHILE TOTAL LICENSED FOR MEXICO WAS 133 OF WHICH 47 WERE SMALL ORDERS. JULY 1973 SCRAP LICENSES FOR SHIPMENT TO CANADA TOTALED 162 OF WHICH 69 WERE SMALL ORDERS; FOR MEXICO, JULY LICENSES TOTALED 178 OF WHICH 13 WERE SMALL ORDERS. (NOTE: LICENSES FOR LARGE ORDERS VALID FOR 60 DAYS, AND THOSE FOR SMALL ORDERS FOR 30 DAYS, SO LICENSES ISSUED AND TONNAGE ACTUALLY EXPORTED IN ANY GIVEN

MONTH VARY.)

3. CY 1973 SCRAP EXPORT AND ORDER DATA FOR CANADA AND MEXICO SHOW FOLLOWING (IN THOUSANDS SHORT TONS): CANADA: JAN-JULY EXPORTS, 507; PLUS 102 IN UNUSED JULY LICENSES (SCRAP LICENSED BUT NOT EXPORTED IN JULY); 126 IN AUGUST LICENSES; AND 6 IN SEPT-DEC ORDERS INDICATE ESTIMATED 741 EXPORTS TO CANADA IN 1973. MEXICO: JAN-JULY EXPORTS, 613; PLUS 91 IN UNUSED JULY LICENSES; 133 IN AUGUST LICENSES; AND 121 IN SEPT-DEC ORDERS INDICATE ESTIMATED 958 EXPORTS TO MEXICO IN 1973. THESE FIGURES DO NOT INCLUDE SEPT SMALL ORDER LICENSES ISSUED (40,000 TONS FOR CANADA; 22,000 FOR MEXICO), OR ANY SMALL ORDER TONNAGE THAT MAY BE ALLOWED AFTER SEPT.

4. INITIAL CANADIAN AND MEXICAN EMBASSY REACTION TO NOTICE FOLLOWS:

A. CANADIAN ECON COUNSELOR GHERSON EXPRESSED STRONG CONCERN OVER USG ACTION ON UNDER-500 TON ORDERS, AND INDICATED GOC WOULD PROBABLY RAISE MATTER FORMALLY WITH USG IN NEAR FUTURE.

B. MEXICAN DCM SAENZ DID NOT APPEAR OVERLY EXCITED OVER SUSPENSION ANNOUNCEMENT, PARTICULARLY WHEN IT WAS NOTED THAT U.S. SCRAP EXPORTS TO MEXICO WOULD PROBABLY REACH ALL-TIME HIGH THIS YEAR. NEWS THAT USG CONSIDERING SOME SMALL ORDER EXCEPTIONS FOR CANADA AND MEXICO MAY HAVE HAD MITIGATING EFFECT. HOWEVER, SAENZ SAID GOM REMAINS CONCERNED OVER EFFECTS OF US SCRAP LICENSING CONTROLS ON LIMITED OFFICIAL USE
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MEXICAN SCRAP USERS, ADDING THAT EMBASSY HAD BEEN INSTRUCTED DELIVER A NOTE ON THIS SUBJECT. SAENZ SAID EMBASSY NOW COLLATING DATA AND DRAFTING NOTE, WHICH HE EXPECTED TO BE READY WITHIN FEW DAYS (HE LATER MADE SEPT 17 APPOINTMENT WITH DEPTOFFS). SAENZ EXPRESSED HOPE USG WOULD TAKE GOM NOTE INTO CONSIDERATION IN REACHING DECISION ON SMALL ORDER EXCEPTIONS. RUSH

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